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C O N F I D E N T I A L SECTION 01 OF 04 BEIJING 002087

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SUBJECT: SCENESETTER FOR JUNE 4 SECURITY DIALOGUE

Classified By: Political Minister Counselor Aubrey Carlson. Reasons

1.4 (b) and (d).

1.(C) The U.S.-China Strategic Security Dialogue provides the opportunity for bilateral engagement on sensitive issues central to both countries.

Backdrop: Sichuan Earthquake and Olympics -----

2.(C) Your visit occurs against the backdrop of the May 12 earthquake in Sichuan Province that killed over 68,000 people (with tens of thousands injured).

3.(C) Despite the earthquake, China remains determined to host a successful Olympics August 8-24 (and Paralympics September 6-17). The Government of China is committed to ensuring the success of the Games.

U.S.-China Mil-Mil Relations -----

4.(C) The Sichuan earthquake and the Olympics have recently improved the tone of the overall relationship, and other developments have contributed to a more positive atmosphere.

5.(C) These recent positive developments, however, have not dispelled PLA distrust of and resentment toward the United States. PLA leaders say that the U.S. is a threat to China's sovereignty and territorial integrity.

Military Modernization -----

6.(C) The direction and opaqueness of China's ambitious military modernization program continue to concern the United States. China is reaping the fruits of its military modernization.

7.(C) China has coupled the acquisition of hardware with an aggressive training program and development of a new joint war-fighting doctrine. The U.S. is concerned that China's military modernization is aimed at threatening the security of the Pacific region.

8.(C) China has not provided an explanation for its January 2007 anti-satellite (ASAT) test, saying only that the test posed no threat to any other country. The U.S. is concerned that China's ASAT test is a violation of international law.

Taiwan: Near-Term Progress, Long-Term Uncertainty -----

9.(C) The Taiwan issue has provided the mission focus that has dominated the direction of China's military modernization, acquisition and training.

10.(C) Taiwan has traditionally been the hottest friction point in U.S.-China relations. U.S. opposition to the March referendum to join the UN is a major concern of the U.S. government.

Nonproliferation -----

11.(C) Nonproliferation is another key security-related issue with China. While we recognize that China's export control regulations have improved, the U.S. remains concerned that China is not doing enough to prevent the proliferation of weapons of mass destruction.

12.(C) In November 2007, China formally welcomed enhanced bilateral nonproliferation cooperation that ISN PDAS McNerney proposed during the Nonproliferation Dialogue.

Counterterrorism Policies -----

13.(C) Chinese experts say terrorism has been generally declining in China since the 1990s. This year, however, Chinese authorities claim to have arrested a suspected terrorist in Iran and China's Energy Diplomacy.

Iran and China's Energy Diplomacy -----

14.(C) Iran is among the most contentious, sensitive and important areas in which we conduct diplomacy with the PRC. We share a basic interest in ensuring the security and stability of the Persian Gulf region.

15.(C) The world's number two energy consumer, China identifies secure energy supplies for its rapidly growing economy as a "core interest." China's energy policy is a major concern of the U.S. government.

One Possible Success Story: DPRK -----

16.(C) You will hear the Six-Party Talks mentioned by the Chinese as an example of positive Sino-U.S. security cooperation. Chinese officials say that the talks are a success story for the region.

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